

PACIFIC BUSINESS NEWS

OPINION

From the March 19, 2004 print edition

Workers' comp reform crashes while business looks on

It is a great disappointment to watch proposals to reform workers' compensation go down, if not in flames, then at least in smoldering cinders.

We had been hopeful, even a little optimistic, that a package of reforms prepared by Gov. Linda Lingle's administration would be taken seriously by the Legislature. That didn't turn out to be the case.

As Jennifer Hamilton reports on Page 1 of today's PBN, most of the comprehensive package submitted by Nelson Befitel, director of the state Department of Labor and Industrial Relations, has been rejected or substantially changed in intent by House and Senate labor committees.

The defeat is a blow to businesses of all sizes because \$3.48 of every \$100 paid in wages went to workers' comp in 2002. That gives Hawaii the third-highest rate in the country.

Earlier, we praised the administration's workers' comp bills as representing viable solutions. They weren't a total solution toward making workers' comp costs here more comparable to other states, but the package was a pragmatic start.

So what happened?

Befitel offers his view on Page 39 that Demo-crats appeared to support the workers' comp reforms but, in the end, dismantled them without providing meaningful alternatives. He is especially critical of Rep. Marcus Oshiro, House Labor Committee chairman, for comparing small-business owners with plantation owners of 50 years ago in the way employees are treated.

Labor also was strongly against the reform, particularly changes in dealing with employee fraud. Harold Dias Jr., president of the Hawaii State AFL-CIO, said the overall package of bills did not adequately weigh interests of injured workers against those of employers or insurance carriers.

Business, on the other hand, may be passionate about workers' comp reform but the lobbying effort was clearly passive. Most of the effort came in the form of letters and memos.

There were 19 letters from a wide range of businesses -- a grocery, moving company, hotel and construction company, for example -- all noting the substantial increases in the cost of workers' comp. And all 19 were form letters with minor changes representing the author.

Befitel and others in the Lingle administration turned out to be the primary, sometimes only, advocates of workers' comp changes. They were well prepared but lacked the clout or credibility to convince.

Legislators are like individual companies whose goal is to survive and maybe expand. They respond to people who talk to and interact with them. For Democrats, that's mostly labor representatives.

Until business "walks the talk" by getting more directly involved, issues like workers' comp will not get serious consideration, at least as long as Democrats continue to hold a strong majority.

In his commentary on the opposite page, Befitel promises to continue his efforts toward workers' comp reform. We encourage him to do that, buoyed by the knowledge that a major workers' comp reform package did make it through the Legislature in the mid-1990s.

The secret to success for Befitel, though, will come in building a coalition that includes both Democrats and labor leaders. Plus, business needs to be engaged as an active participant, not just as an observer.

That may be a tough task -- but it's the only way that change will come to workers' comp. With escalating costs, that change must happen.

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